beazley

Beazley Insurance dac | Annual report and accounts 2022

Insurance. Just different.

Welcome to our Annual report 2022

Beazley Insurance dac is a non-life insurance company that underwrites through its European branch network. The Company also reinsures and provides capital to support the underwriting activities of Beazley Underwriting Limited in the Lloyd’s market.

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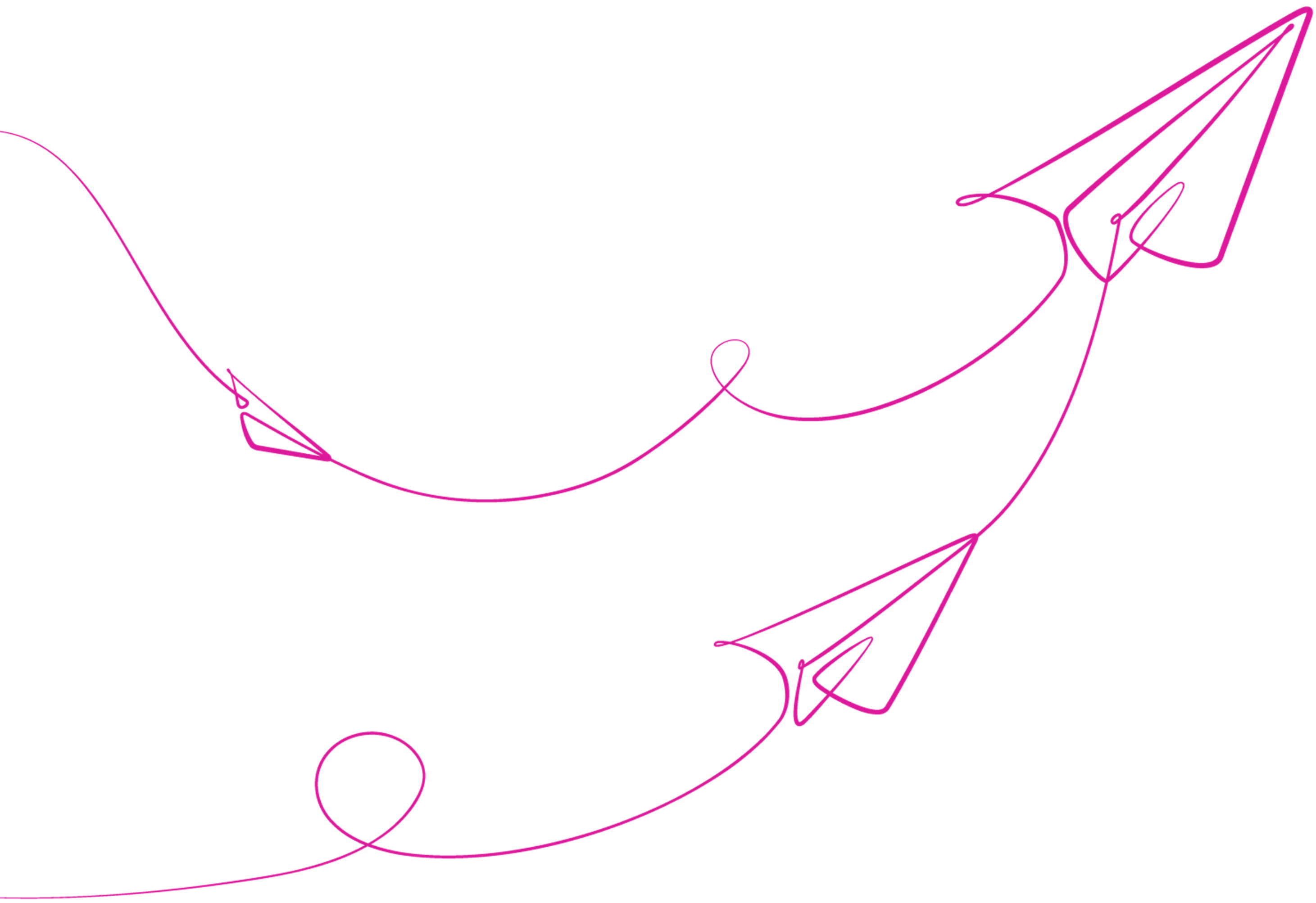


Highlights

Gross premiums written

$453.0m

2021: $317.7m

Net investment return

($36.3m)

2021: $57.3m

Earned premiums, net of reinsurance

$350.7m

2021: $230.6m

Cash and investments

$1,643.7m

2021: $1,774.6m

Profit after tax for the financial year

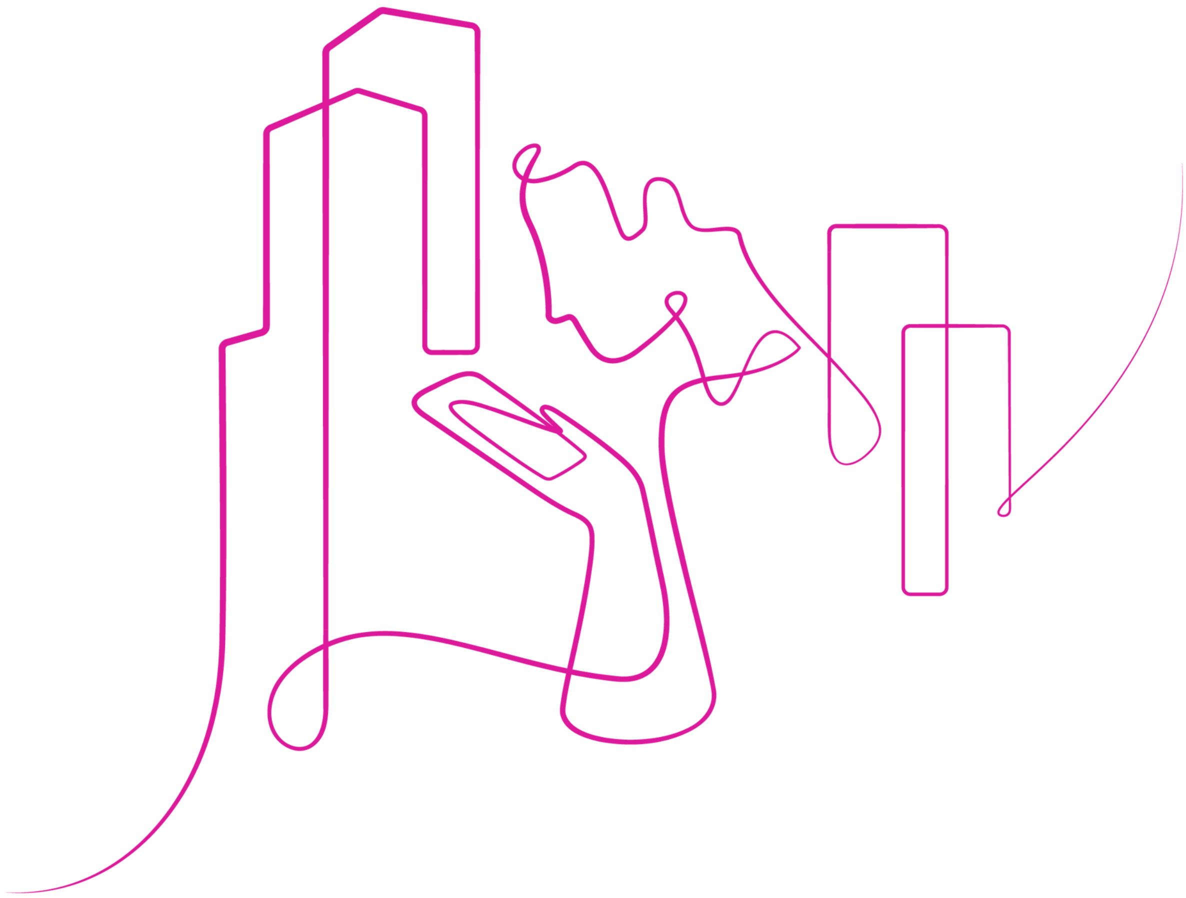
$42.4m

2021: $195.0m

Solvency coverage ratio

210%

2021: 217%



Report of the directors

The directors submit their report, together with the financial statements of Beazley Insurance dac (the Company) for the year ended 31 December 2022.

Company purpose and vision

As part of the Beazley Group, the Company is passionate about serving all our stakeholders, our colleagues, our clients and brokers, and offering them the protection they need to achieve our shared business goals. The vision of the Company and the Group is to be the highest performing sustainable specialist insurer.

Principal activities and business review

The Company is authorised by the Central Bank of Ireland to underwrite non-life insurance business throughout Europe. The Company operates a branch network in the United Kingdom, France, Germany, Spain and Switzerland and operates across the European Union on a freedom of services basis.

The Company acts as an intra-group reinsurer and provides capital to support the underwriting activities of its sister company, Beazley Underwriting Limited. Beazley Underwriting Limited is a Lloyd’s of London corporate member. It participates in the Lloyd’s insurance market on a limited liability basis through syndicates 2623, 3622 and 3623. Under the 2022 contract, Beazley Underwriting Limited cedes 75% of the final declared result (less a retention of $4m) of its participation in syndicates 2623 and 3623 to the Company. In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of $4m not exceeding 75% of the Funds at Lloyd’s. The Company has a credit facility agreement with Beazley Underwriting Limited. Under the 2022 agreement, the Company can provide up to 25% of Beazley Underwriting Limited’s total required Funds at Lloyd’s. This facility was not utilised during the year. Further information on the 2023 reinsurance contract with Beazley Underwriting Limited, and the credit facility agreement, is included on pages 3 and 4.

The Company achieved strong premium growth in 2022, whilst enduring challenging claims and macro-economic environments to deliver pre-tax profits of $52.4m (2021: $219.3m). Our direct business delivered a pre-tax profit of $23.7m (2021: loss of $4.7m) despite the impact of some claims activity. Head office, including the impact of our reinsurance contracts with Beazley Underwriting Limited, generated a profit before tax for the company of $28.7m (2021: $224.0m).

The Company continues to closely monitor the ongoing conflict in Ukraine. The Company continually assesses its exposure to this conflict in terms of claims activity, whether directly through our European branches or indirectly through our intra-group reinsurance contracts, and in terms of the impact to our investment portfolio.

Throughout 2022, the Company continued to invest in and develop its business across Europe. Premiums from the Company’s non-life insurance and reinsurance business carried out through its branches grew from $206.6m in 2021 to $270.6m in 2022. We project further growth in 2023.

This document, which is published alongside the Beazley plc Annual Report and Accounts, sets out Beazley's goals and targets across a wider range of Environmental, Social and Governance (ESG) issues, including climate change. In addition to the summary Responsible Business Report, Beazley plc has disclosed its compliance with the TCFD’s recommendations and recommended disclosures at the consolidated Group level in the Beazley plc Annual Report and Accounts. The 2022 Beazley plc Annual Report and Accounts can be found at www.beazley.com

Climate-related issues

The Company and the Group are focused on how we can play our part in addressing the climate crisis. While primary responsibility for climate related issues sits with the below Group boards and committees, the Beazley Insurance dac board has regular interactions and updates with the responsible persons to ensure that the company's board is appropriately consulted, engaged and informed. The Board is responsible for ensuring that the Company is operating in accordance with legal and regulatory requirements and with relevant Beazley Group policies and procedures. The Company considers climate-related matters as part of the annual process to approve the risk framework and ORSA.

Board/Committee	Description of how climate-related matters are considered
Beazley plc board and Beazley Insurance dac board	The Group and Company boards consider climate-related matters as part of the annual process to approve: • Risk framework; • The Group's corporate business plan, including capital adequacy and the own risk and solvency assessment (ORSA) • Updates to the Group's Responsible Business Strategy • Responsible Investment Policy • Investment strategy • Annual Report and Accounts, including TCFD report Throughout the year the Group and Company boards monitor progress against the goals and targets set to address climate-related issues, through the update papers provided primarily from the following functions: responsible business, risk and underwriting.
Beazley plc audit and risk committee	The plc board has delegated oversight of the risk management framework to the audit and risk committee. Committee responsibilities include overseeing the effectiveness of the risk management framework at Beazley, of which climate-related risk is one element. In 2022, the committee has reviewed the drafted TCFD report, and accompanying assurance report. A paper providing an update on the development of TCFD reporting has also been reviewed. One audit on TCFD reporting was undertaken during the year, for which the audit findings have been sent to the committee for review.
Beazley plc nomination committee	The committee considers the current and anticipated future needs of the organisation in continuing to operate effectively. Given the growing importance of climate change, this is to be a consideration in assessing candidates for future board and senior executive positions. The committee also recommends, for approval to the plc board, the annual board knowledge and training plan. Climate-related matters can form part of this plan.
Beazley plc remuneration committee	This committee is responsible for ensuring climate-related risk is considered within executive remuneration. Evidence that this occurs is documented within the executive director's remuneration scorecard, where climate-related risk matters are considered as part of Beazley's wider approach to ESG. Remuneration is reviewed on an annual basis.

Future developments in the business

The reinsurance contract for 2023 was renewed by the Company and Beazley Underwriting Limited in December 2022. The terms for the contract have been revised such that the contract for the 2023 year of account now includes an effective 65% cede from Beazley Underwriting Limited to the Company. Under the 2023 contract, the Company provides 65% of Beazley Underwriting Limited's FAL relating to the reinsured business. The credit facility agreement with Beazley Underwriting Limited was also renewed for 2023. The revised terms of the agreement allow the Company to provide up to 35% of Beazley Underwriting Limited's total required Funds at Lloyd's.

The Company plans to grow and expand its non-life insurance/reinsurance business across Europe through additional underwriting capability through our branch network.

Principal risks and uncertainties

Due to the nature of its activities, the principal risks and uncertainties of the Company are aligned with those of 'Beazley plc' ('the Group'). Below summarises the principal risks the Company faces, the control environment, governance and oversight that mitigate these risks.

The impact of climate change, the war in Ukraine and the current volatile macro-economic environment (including inflation risk, recession risk and the current volatility in financial markets) have all been considered as part of the below risks. The board of the Company deem climate risk to be inherently embedded within all risks managed across the business.

The Company operates a risk management framework, within which risk appetite is defined, risks assumed are identified and managed and key controls are implemented and monitored. Additional information in relation to the Company's risk management objectives and policies is included in note 2 of the financial statements.

Report of the directors continued

The Company was within risk appetite for all principal risks at 31 December 2022.

Principal risks and summary descriptions	Mitigation and monitoring
Insurance The risk arising from the inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves. • Market cycle: potential systematic mispricing of medium or longtailed business that does not support revenue to invest and cover future claims; • Catastrophe: one or more large events caused by nature (e.g. hurricane, windstorm, earthquake and / or wildfire) or mankind (e.g. coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and / or a political event) impacting a number of policies, and therefore giving rise to multiple losses; • Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e., mismatch); and • Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.	The Company used a range of techniques to mitigate insurance risks including pricing tools, analysis of macro trends and claim frequency, including alignment with pricing and ensured exposure was not overly concentrated in any one area, especially those with higher risk. The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure with the transfer of risk. The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering the right outcome to clients. High calibre claims and underwriting professionals deliver expert service to insureds and claims handling. The Group underwriting committee, the Company insurance management committee and the Company reinsurance underwriting group oversee these risks, and report to the Company board regularly.
Credit This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from its reinsurers, brokers, and coverholders, of which the premium due under the reinsurance contract with Beazley Underwriting Limited was the largest exposure for the Company.	The Company traded with strategic reinsurance partners over the long term that support the Company through the cycle despite catastrophic claim events. The Company's main reinsurer credit risk is with Beazley Underwriting Limited and this position is monitored regularly. The Company has both direct credit risk from external reinsurers of the Company's insurance business in Europe, and indirect credit risk from external reinsurers through the company's reinsurance contracts with Beazley Underwriting Limited. Credit risk for external reinsurers is monitored by the Group reinsurance security committee, and the Group reinsurance team report regularly to the Company's insurance management committee. Credit risk arising from brokers (nonpayment of premiums or claims) being low relied on robust due diligence processes and ongoing monitoring of aged debt and financial status.
Market (asset) This is the risk that the value of the Company's investments could be adversely impacted by movements in interest rates, exchange rates, default rates or external market forces.	The Company closely observes macro environment interest rate movements and their impact on the financial assets of the Company. Market risks to the direct investment funds of the Company are closely monitored by the Beazley plc investment committee and the Company board. The Company also manages, monitors and reviews exchange rate movements and has set a risk appetite in terms of currency risk.
Liquidity Investments and / or other assets are not available or adequate in order to settle financial obligations when they fall due.	By managing liquidity the Company maximises flexibility in the management of financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon and in doing so helps to ensure that clients and creditors were financially protected. The Company periodically assesses the liquidity position and this is reported to the board on a quarterly basis.
Regulatory and legal Non-compliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the Company operates leading to being unable to underwrite, manage claims, fines, etc.	The control environment supports the nature, exposure scale and complexity of the business with oversight from the risk and regulatory committee. The Company maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and robust process, policies and procedures being followed in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, were experienced and maintained regular dialogue with regulators. The Company horizon scans for regulatory and legal matters and considers their potential impacts on the business.

Principal risks and summary descriptions	Mitigation and monitoring
Operational Failures of people, processes and systems or the impact of an external event on operations (e.g., a cyber-attack having a detrimental impact on operations) including transformation and change related risks.	The Beazley Group attracts and nurtures talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee well-being. The Company employs high calibre, motivated, loyal, and productive people with sufficient competence to perform the required duties. Beazley Group invests in technology and re-engineering processes to support the operation of these activities which is overseen by the operations committee. Beazley group has policies and procedures across the organisation which ensure effective and efficient operations and drive productivity and quality across people, processes and systems to continue to enable scalable growth. The business continuity and disaster recovery and incident response plans help ensure the processes and systems enable our people to deliver the right outcomes for clients and overall productivity. There were effective controls in the day-to-day operations around information security, including cyber resilience to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate. Given the Company’s operating model, outsourcing is a key component of operational risk and in particular the Company closely manages the outsourced services received under the Company’s arrangement with Beazley Management Limited.
Strategic Events or decisions that potentially stop the Company from achieving its goals or danger of strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage.	The Company continuously addresses key strategic opportunities and challenges itself to be part the highest performing sustainable specialist insurer. The Company commits to ensuring it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation. The Company creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise to create value. The Company board oversees these risks.
Enterprise Pervasive risks impacting multiple areas of the Company (e.g. conduct, reputation, ESG, concentration and / or viability) occurring through real or perceived action, or lack of action taken, a regulatory body, market and / or third-party used by the business. A negative change to the reputation would have a detrimental impact to profitability and public perception.	The Company aims to create a sustainable business for its people, partners and planet through its responsible business goals. The Company embeds ESG principles and ambitions, focuses on reducing its carbon footprint, and contributing appropriately to its social environment. Inclusion and diversity and peoples well-being continue to be fundamental to achieving these goals. The Company considers regulatory requirements and expectations and market practice. The Company board oversees these risks.
Group The risk of an occurrence in one area of the Group, which adversely affects another area in the Group, resulting in financial loss and/or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and/or decisions including dilution of culture or negative impact on the Group brand.	Group risk culture is centred on principles of transparency, accountability, and awareness. This helps maintain a strong risk culture that supports the embedding of risk management within the Company. An effective risk culture supports strong risk management, encourages sound risk taking, creates an awareness of risks and emerging risks. The board of the Company oversees this risk.

Report of the directors continued

Key performance indicators (KPIs)

The Company generated a profit before tax of $52.4m (2021: $219.3m). The Company's return on equity for the year was 3% (2021: 16%), which was largely driven by the positive performance of the intra-group reinsurance contracts. The Company has seen premiums from its non-life insurance and reinsurance business carried out through its branches grow from $206.6m in 2021 to $270.6m in 2022 and we anticipate further growth in 2023. During 2022, the Company increased its product offering and underwriting capability through its branch network. The balance of premiums written relates to our intra-group reinsurance contracts. Further information on the breakdown of our performance between direct insurance and intra-group reinsurance can be found in note 3 to the financial statements.

The increased premium volumes written through the Company's direct insurance branches have contributed to an increase in net insurance claims of $105.4m (2021: $95.9m). The net insurance claims contain $4.7m of prior year reserve releases (2021: $2.5m), largely driven by positive claims experience in the Specialty Risks division on the 2020 underwriting year. The Company saw a claims ratio on its direct business of 63% (2021: 80%).

The profit before tax for the year was adversely affected by macro-economic events leading to mark to market losses in our fixed income portfolio which contributed to net investment losses of $36.3m, and losses as a result of exchange rate movements of $45.5m.

The Company maintained a strong capital position throughout 2022, with an SCR coverage ratio of 210% as at 31 December 2022.

Results and dividends

The result for the year is shown on the statement of comprehensive income on pages 17 and 18. The Company paid dividends of $305.0m (2021: $40.0m) to its sole shareholder Beazley Ireland Holdings plc during the year, as detailed in note 11 to the financial statements.

Directors

The names of the persons who were directors at any time during the year ended 31 December 2022 are set out below:

Director	
A P Cox (British)	
E J McGivney	
S M Lake (British)	
J Dunne	(appointed 1st February 2022)
P O DeSaulle (French)	(Independent non-executive chair)
K P Murphy	(Independent non-executive)
M Moore	(Independent non-executive)
P Ruane	(Independent non-executive)

Directors and secretary and their interests

The directors and secretary who held office at 31 December 2022 had no interests greater than 1% in the shares of, or debentures or loan stock of, the Company or Group companies at the beginning (or date of appointment, if later) or end of the year (2021: nil).

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors' and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance contracts. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

In assessing the Company's ability to continue as a going concern, the directors have considered the Company's capital position, business plans, cash flow and liquidity, and broader external and internal business factors including the ongoing uncertainty in financial markets. The directors are satisfied that the assessment of the Company as a going concern is reasonable.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

The directors are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014. As required by Section 167 of the Companies Act 2014 (the '2014 Act'), the Company confirms that it has established an audit committee, which assists the board in carrying out its oversight and control obligations.

Relevant audit information

We confirm that to the best of our knowledge:
- so far as the directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- the directors have taken all the steps that he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Statement of directors' compliance

The directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the 2014 Act) and, as required by Section 225 of the 2014 Act.

The directors confirm that:
- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial year to which this directors' report relates.

Report of the directors continued

Accounting records

The directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act, 2014 with regard to accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 2 Northwood Avenue, Santry, Dublin 9 (D09 X5N9).

Political donations

The Company made no political donations during the financial year ended 31 December 2022 (2021: Nil).

Central Bank of Ireland Corporate Governance Code

The Company is subject to the Corporate Governance Requirements for Insurance Undertakings issued by the Central Bank of Ireland. The Company is not required to comply with the additional requirements for major institutions.

Post balance sheet events

There are no events that are material to the operations of the Company that have occurred since the reporting date.

Auditor

The auditors, Ernst and Young, Chartered Accountants, were appointed as the Company's auditor on 25 June 2019 in accordance with section 383(2) of the Companies Act 2014. This followed a selection procedure in accordance with Article 16(3) of Regulation (EU) No 537/2014 in respect of the appointment of the audit firm.

On behalf of the board

Pierre-Oliver Desaulle	John Dunne
Director	**Director**

30 March 2023

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Beazley Insurance dac ('the Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (Generally Accepted Accounting Practice in Ireland) issued in the United Kingdom by the Financial Reporting Council.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (Generally Accepted Accounting Practice in Ireland); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's process for assessing going concern including the key factors considered in the assessment;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

- We obtained management's going concern assessment, which covers the period up to 30 March 2024, which incorporates the Company's business plans and solvency capital requirements;

- We examined the factors and assumptions included in management's assessment and the business plan. We considered the appropriateness of the methods used by Company in the assessment;

- We reviewed the Company going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for reinsurance result in line with treaty arrangements **Net Earned Premium (2022: $182.4m 2021: $111.1m)** **Change in claims reserve (2022: $8.5m 2021: $116.9m)** Refer to the Accounting policies in Note 1 of the Financial Statements and Note 3b. Due to the nature of the reinsurance treaty, premiums written are recorded based on the declared result from the syndicates. The results of the Company are dependent on calculations of the cedant's financial reporting, in line with the treaty terms. Given the accounting policy, an error in these calculations of reported results could have a significant impact on the reported results for the reinsurance business.	To obtain sufficient audit evidence to conclude on the accounting for the reinsurance treaty we: - obtained an understanding of the terms of the reinsurance treaty with the cedant, Beazley Underwriting Limited ('BUL'); and - tested the calculation of the premiums and claims recorded on the reinsurance business with reference to the reinsurance treaty and the key data inputs from BUL such as the declared results of the syndicates.	We completed our planned procedures and have no material matters to report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of claims outstanding **Gross claims outstanding:** **(2022: $354.5m** **2021: $223.4m)** **Net claims outstanding:** **(2022: $256.2m** **2021: $169.0m)** Refer to the Accounting policies in Note 1 and to Note 12 of the Financial Statements. Gross and net claims outstanding are inherently uncertain and subjective in nature, and therefore subject to a greater degree of risk of misstatement than other balances. The assumptions deriving IBNR involve a significant degree of expert judgement in setting Management's estimates. In addition loss reserve estimates for certain classes of business can be based on limited data.	To address the risk within the valuation of claims liabilities, we: - Obtained an understanding and tested the design of key controls over management's process in respect of the valuation of claims liabilites including the setting and updating of actuarial assumptions. - Tested the operating effectiveness of selected controls over reported claims; - Assessed and evaluated the reserving methodology on both a gross and net of reinsurance basis including comparing the reserving methodology with industry practice; - Performed independent re-projections of claims outstanding on a sample basis, by applying our own assumptions; - Evaluated and assessed whether the key assumptions applied to key areas of uncertainties were appropriate based on our knowledge of the Company, industry practice and regulatory and financial reporting requirements.	We completed our planned procedures and have no material matters to report.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $10.2 million (2021: $12.4 million), which is 1% (2021: 1%) of Equity. We believe that Equity provides us with a stable basis of materiality and as the primary stakeholders are mainly concerned about solvency and capital position of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely $7.7 million (2021: $9.3 million). We have set performance materiality at this percentage due to nature of the industry in which the Company operates.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.5 million (2021: $0.6 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and Directors' Responsibilities Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year ended for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud, that could reasonably be expected to have a material effect on the financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. In addition, the further removed any non-compliance is from the events and transactions reflected in the financial statements, the less likely it is that our procedure will identify such non-compliance. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Generally Accepted Accounting Practice in Ireland including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Companies Act 2014 and the EU (Insurance and Reinsurance) Regulations 2015 (the Solvency II Directive).

- We understood how Beazley Insurance dac is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance procedures. We corroborated our enquiries through our examination of board minutes, papers provided to the Audit Committees and correspondence with regulatory bodies.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by including through enquiries of Management to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved an examination of board minutes to identify any non-compliance with laws and regulations, an examination of the reporting to the Audit Committee on compliance with regulations and enquiries of management.

- The Company operates in the insurance industry which is a highly regulated environment. As such, the Audit Engagement Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate.

- We obtained an understanding of the regulations and the potential impact on the Company and in assessing the control environment we have considered the compliance by the Company with these regulations as part of our audit procedures, which included an examination of correspondence with regulatory bodies.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by board of directors in August 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinion we have formed.

CMcKenna

Ciara McKenna
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Office: Dublin

Date: 31 March 2023

Statement of comprehensive income
for the year ended 31 December 2022

Technical account – non-life insurance business	Notes	2022 $m	2021 $m
Gross premiums written	3	453.0	317.7
Written premiums ceded to reinsurers		(86.0)	(56.4)
Net premiums written		**367.0**	**261.3**
Change in the gross provision for unearned premiums	12	(34.9)	(47.0)
Change in the provision for unearned premium, reinsurers share	12	18.6	16.3
Change in net provision for unearned premiums		**(16.3)**	**(30.7)**
Net earned premiums	3	**350.7**	**230.6**
Investment (losses)/income transferred from the non-technical account	4	(35.1)	58.9
Total Revenue		**315.6**	**289.5**
Gross claims paid		(22.1)	(8.6)
Reinsurers' share of claims paid		4.1	1.5
Claims paid net of reinsurance		**(18.0)**	**(7.1)**
Change in gross provision for claims	12	(143.4)	(13.7)
Reinsurer's share of change in provision for claims	12	47.5	41.8
Change in the net provision for claims		**(95.9)**	**28.1**
Claims incurred net of reinsurance		**(113.9)**	**21.0**
Net operating expenses	5	(71.0)	(54.0)
Investment charges transferred from the non-technical account	4	(1.2)	(1.6)
Balance on the technical account for non-life insurance business		**129.5**	**254.9**

Statement of comprehensive income

for the year ended 31 December 2022

Non-technical account	Notes	2022 $m	2021 $m
Investment (losses)/income	4	(35.1)	58.9
Investment charges	4	(1.2)	(1.6)
Investment losses/(income) transferred to the non-life technical account	4	35.1	(58.9)
Investment charges transferred to the non-life technical account	4	1.2	1.6
Finance costs	15	(31.6)	(31.6)
Loss on foreign exchange		(45.5)	(4.0)
Profit on ordinary activities before taxation		**52.4**	**219.3**
Tax expense on profit on ordinary activities	7	(10.0)	(24.3)
Profit on ordinary activities after taxation		**42.4**	**195.0**
Loss on foreign exchange through other comprehensive income		(3.8)	(1.7)
Total comprehensive income for the financial year		**38.6**	**193.3**

The Company’s operating activities all relate to continuing operations.

Statement of changes in equity

for the year ended 31 December 2022

	Notes	Capital contribution $m	Foreign exchange reserve $m	Retained earnings $m	Total equity $m
Balance as at 1 January 2022		536.3	(44.8)	798.5	1,290.0
Total comprehensive income for the financial year		–	(3.8)	42.4	38.6
Dividends paid	11	–	–	(305.0)	(305.0)
Balance as at 31 December 2022		**536.3**	**(48.6)**	**535.9**	**1,023.6**

	Notes	Capital contribution $m	Foreign exchange reserve $m	Retained earnings $m	Total equity $m
Balance as at 1 January 2021		536.3	(43.1)	643.5	1,136.7
Total comprehensive income for the financial year		–	(1.7)	195.0	193.3
Dividend paid	11	–	–	(40.0)	(40.0)
Balance as at 31 December 2021		**536.3**	**(44.8)**	**798.5**	**1,290.0**

Balance sheet
as at 31 December 2022

	Notes	2022 $m	2021 $m
Assets			
Investments			
Financial assets designated at fair value through profit or loss	2, 8	1,588.5	1,693.9
		1,588.5	**1,693.9**
Reinsurer's share of technical provision			
Provision for unearned premiums, reinsurer's share	12	43.2	26.0
Claims outstanding, reinsurer's share	12	98.3	54.4
		141.5	**80.4**
Debtors			
Debtors arising from direct insurance operations		79.1	68.6
Debtors arising from reinsurance operations	13	182.4	111.1
Other debtors	16	44.9	180.4
		306.4	**360.1**
Other assets			
Deferred tax asset	7	2.7	4.1
		2.7	**4.1**
Cash and cash equivalents	9	**55.2**	**80.7**
Prepayments and accrued income			
Deferred acquisition costs	10	26.1	20.0
Other prepayments and accrued interest		8.9	5.5
		35.0	**25.5**
Total assets		**2,129.3**	**2,244.7**

Balance sheet

as at 31 December 2022

	Notes	2022 $m	2021 $m
Equity			
Capital and reserves			
Called up share capital – presented as equity	11	–	–
Capital contribution	11	536.3	536.3
Foreign exchange translation reserve	11	(48.6)	(44.8)
Profit or loss account	11	535.9	798.5
Shareholders' funds attributable to equity interests		**1,023.6**	**1,290.0**
Liabilities			
Technical provisions			
Provision for unearned premium	12	122.1	93.0
Claims outstanding	12	354.5	223.4
		476.6	**316.4**
Creditors			
Creditors arising from direct insurance operations		28.8	26.5
Other creditors		31.1	31.8
		59.9	**58.3**
Other liabilities			
Accruals and deferred income		19.4	12.9
Current tax payable		–	14.1
		19.4	**27.0**
Financial liabilities	2, 8, 15	549.8	553.0
Total liabilities		**1,105.7**	**954.7**
Total equity and liabilities		**2,129.3**	**2,244.7**

Approved on behalf of the board of directors:

Pierre-Oliver Desaulle
Director
30 March 2023

John Dunne
Director

The notes on pages 22 to 49 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2022

1 Principal accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. There have been no material changes to accounting policies during the year.

(a) Basis of preparation and going concern
The financial statements have been prepared in accordance with Financial Reporting Standard 102, (the Financial Reporting Standard applicable in the UK and Republic of Ireland) (FRS 102) and Financial Reporting Standard 103 (Insurance Contracts) (FRS 103). The financial statements comply with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015, and the Companies Act 2014.

All amounts disclosed in the financial statements are presented in US dollars and millions, unless otherwise stated.

Under FRS 102.1.12(b), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the voting rights of the Company are controlled within the Group headed by Beazley plc, the Company has taken advantage of the exemption contained in FRS 102.33.1A and has therefore not disclosed transactions with entities which are wholly controlled by and form part of the Group. The consolidated financial statements of Beazley plc, within which this Company is included, can be obtained from the registered address listed on page 49 of these accounts.

Going concern
The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the Company's current and forecast solvency and liquidity positions for the next 12 months from the date that the financial statements are authorised for issue. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the directors' report contained in the financial statements. In addition, the risk review section of the financial statements includes the Company's risk management objectives and the Company's objectives, policies and processes for managing its capital.

In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic and financial plan, taking account of possible changes in trading performance and funding retention, and stress testing and scenario analysis. This included, among other analysis, stress testing the Company's capital and liquidity positions, a review of the Company's reinsurance strategy, a review of the operational scalability of the Company's growth projections, and a review of the underlying syndicate reserve risk. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for the 12 months to 31 March 2024.

As at its most recent regulatory submission, the Company's capital ratios and its total capital resources are comfortably in excess of regulatory solvency requirements and internal stress testing indicates the Company can withstand severe economic and competitive stresses.

As a result of the assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1 Principal accounting policies continued

(b) Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as rising inflation, rising interest rates, climate change, the Russia-Ukraine conflict and EU legislation.

Specific to climate change, since responses to it are still developing, it is not possible to consider all possible future outcomes when determining asset and liability valuations, and timing of future cash flows, as these are not yet known. Nevertheless, the current management view is that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most critical estimates included within the Company's financial statements are the estimates for the fair value of investments and the estimate of the premium receivable or claims provision arising under the intra-group reinsurance contracts and direct insurance business. Further information about our investment portfolio can be found at note 2 and note 8 of the financial statements. Information on the premium receivable and claims provisions can be found at notes 12 and 13.

(c) Basis of accounting for insurance/reinsurance activities

The Company undertakes both insurance and reinsurance activities. The Company writes direct insurance through a network of European branches and has an aggregate excess of loss reinsurance agreement with Beazley Underwriting Limited.

Under the terms of these intra-group reinsurance agreements the Company reinsures and indemnifies Beazley Underwriting Limited in respect of all losses up to 75% of the declared result of Beazley Underwriting Limited's participation in syndicates 2623 and 3623 (subject to a $4m excess). In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of $4m not exceeding 75% of the Funds at Lloyds. The underwriting results relating to this reinsurance contract are determined on an annual basis. Results under this contract reported on an annual basis recognise profits or losses as they are earned instead of at the closure of a particular Lloyd's year of account, normally after three years.

The excess of loss cede is reflected in the profit or loss account in accordance with the definition of premium and the limits of liability contained in the excess of loss agreement. This treatment results in each contract being accounted for as either a single premium or outstanding claim balance depending on whether the declared result of the syndicates is a profit or a loss. In this regard, the Company will recognise a premium receivable when an underlying reinsurance contract is in a profitable position at the reporting date, and will show an outstanding claim reserve when an underlying contract is in a loss making position at the reporting date. Movements in premium receivables and outstanding claims reserves will be shown through the profit and loss account and outlined in further detail through the notes to the financial statements.

As the premium/claim balance presented in the profit or loss account represents the Company's share of the profit or loss before tax of the syndicates, premium earnings adjustments and expense deferrals in respect of the underlying syndicate business have already been recognised through the premium or claims recognised under the contract. In this regard, the Company's balance sheet does not contain technical balances such as deferred acquisition costs and the provision for unearned premium relating to these reinsurance contracts. Profit commissions and financing fees, included in the terms of the reinsurance agreements, are accounted for separately and are included in operating expenses and investment income in the profit or loss account.

Notes to the financial statements continued
for the year ended 31 December 2022

1 Principal accounting policies continued
(c) Basis of accounting for insurance/reinsurance activities continued

Premiums

Gross premiums written represent:
- premium as defined in the aggregate excess of loss reinsurance agreement (see note 1(c) above) with Beazley Underwriting Limited.
- direct insurance premiums written through branches located in Europe.

Premiums are recognised by the Company under an intra-group reinsurance contract if at the reporting date, the underlying result of the syndicates is a profit (and in excess of $4m). If the underlying result of the syndicate is loss making at the reporting date, no premium is presented.

In relation to direct insurance, gross premiums written comprise premiums on contracts incepted during the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross premiums written are stated before the deduction of brokerage, taxes, duties levied on premiums and other deductions. Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance or inwards reinsurance business except in relation to excess of loss contracts, where the initial premium is charged when paid.

Unearned premiums

A provision for unearned premiums (gross of reinsurance) represents that part of the gross premiums written that it is estimated will be earned in the following financial periods. It is calculated using the daily pro-rata method, under which the premium is apportioned over the period of risk.

Claims

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, claims incurred but not reported ('IBNR') and future claims handling provisions. The provision for claims comprises amounts set aside for claims advised and IBNR. Included in the movement in the provision for outstanding claims is the movement in claims reserves relevant to the reinsurance contracts with Beazley Underwriting Limited, as defined by the aggregate excess of loss agreement with that Company.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the cost of notified but not paid claims the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques which are reviewed quarterly. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

1 Principal accounting policies continued

(c) Basis of accounting for insurance/reinsurance activities continued

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

Claims provisions include claims reserves as calculated in accordance with the definition of the limit of liability contained in the aggregate excess of loss agreement with Beazley Underwriting Limited. To the extent that a claim provision is recognised on an open contract at the reporting period, it is reflected as an outstanding claim reserve, which may increase or decrease depending on the final declared results of the syndicates under the relevant reinsurance contracts.

Acquisition costs

Acquisition costs incurred comprise brokerage, premium levies and staff-related costs of underwriters acquiring new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premiums are earned.

(d) Financial instruments

Financial instruments are recognised in the balance sheet at such time that the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Company’s obligations specified in the contract expire, are discharged or cancelled. Purchases and sales of financial assets are recognised on the trade date, which is the date the Company commits to purchase or sell the asset.

Financial assets and liabilities

On acquisition of a financial asset and liabilities, the Company is required to classify the assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, assets held to maturity and assets available for sale. The Company does not make use of the held to maturity and available for sale classifications.

Financial assets and liabilities at fair value through profit or loss

All non-derivative financial investments are designated as fair value through profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management. The investment strategy is to invest and evaluate their performance with reference to their fair values.

1 Principal accounting policies continued

(d) Financial instruments continued

Fair value measurement

Fair value is the amount for which an asset and liability could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value are recognised in profit or loss account when incurred. Financial assets at fair value through profit or loss are continuously measured at fair value, and changes therein are recognised in the profit and loss account. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income.

Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets or liabilities at fair value through profit or loss. Interest is recognised on an effective rate basis for financial assets or liabilities at fair value through profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the balance sheet date, and the carrying value at the previous year end or purchase value during the year.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of fair value of a derivative at initial recognition is the transaction price. Derivative assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the parties intend to settle on a net basis, or realise the assets and settle the liability simultaneously.

Borrowings

Borrowings are initially recorded at fair value less transaction costs incurred. Subsequently, borrowings are stated at amortised cost and interest is recognised in the profit or loss account over the period of the borrowings using the effective interest method.

1 Principal accounting policies continued

(e) Cash and cash equivalents

This consists of cash at bank and in hand and deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

(f) Other payables

Other payables are stated at amortised cost.

(g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is provided on the Company’s taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is provided, using the liability method, on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised on the balance sheet to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(h) Foreign currency translation

Transactions in foreign currencies are translated to the Company’s functional currency at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss account. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

The results and financial position of the Company's European branches which have a functional currency different from the Company’s presentational currency are translated into the presentational currency as follows:
- assets and liabilities are translated at the closing rate ruling at the balance sheet date;
- income and expenses for each profit or loss account are translated at average exchange rates for the reporting period where this is determined to be a reasonable approximation of the actual transaction rates; and
- all resulting exchange differences are recognised as a separate component of equity.

2 Risk Review

The Company has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The Company categorises its risks into nine areas: insurance, strategic, market, operational, credit, regulatory and legal, liquidity, Group and enterprise risk. The sections below outline the Company’s risk appetite and explain how it defines and manages each category of risk.

Risk management framework

Corporate governance

The board gives high priority to risk management and risk control. Procedures are in place within the Company to ensure that risks are being measured, monitored and reported adequately and effectively to the risk and compliance committee. The Company is subject to regular internal audit review which is carried out by the Group internal audit function.

2 Risk Review continued

Risk management framework continued

Capital management

The Company is required to maintain minimum capital requirements as set out in the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485/2015). Regulations stipulate that the Company should maintain capital, allowable for solvency purposes, of at least the calculated threshold amount. At no time during the year has the Company failed to meet this requirement. The Company uses an approved internal model to calculate its regulatory solvency capital requirement (SCR).

The internal model is used by management to aid decision making, in particular in terms of business planning, reinsurance purchasing, setting risk appetites, long term planning, exposure management and reserving.

The Company also monitors capital against internal metrics, including a Strategic Solvency Target (SST) which has been set at the capital required to meet a 1 in 500 adverse loss over a one-year time horizon. The Company also sets an internal risk appetite in relation to solvency coverage, which is set at a level materially higher than the SST. At no time during the year has the Company failed to meet these target capital levels.

The Company's capital strategy is to:
- invest its capital to generate an appropriate level of return;
- maintain sufficient solvency cover;
- support the Beazley Group strategy;
- adhere to local branch capital requirements; and
- pay dividends to its shareholder.

The Company holds a significant amount of the Group's capital. Since inception the Company has always been well capitalised and the capital base has grown with earnings from the reinsurance contracts with Beazley Underwriting Limited. The capital structure of the Company consists of subordinated loans and shareholder funds attributable to equity interests, comprising capital contributions and the profit or loss account as disclosed in note 15, the statement of changes in equity and note 11, respectively.

In 2016, the Company issued $250m of subordinated tier 2 notes due in 2026. In 2019, the Company issued $300m additional subordinated tier 2 notes due in 2029. The amount of dividend paid is determined by the solvency of the Company and the requirements of the Group.

The Company holds a level of capital over and above its regulatory requirements. The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework, opportunities for growth and a desire to maximise returns. Available capital and capital requirements are projected as part of the Company's five year business plan, which in turn is considered as part of the ORSA process.

More detailed information about the Company's capital strategy, capital management and capital position can be found in the Company's Solvency and Financial Condition Reports (available at www.beazley.com).

2.1 Insurance risk

The insurance risk exposure is documented in the business plan which is approved by the board and used to guide current activities and any future developments.

a) Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the Company:
- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

2 Risk Review continued

a) Underwriting risk continued

The board reviews detailed underwriting information relating to the syndicate business reinsured by the Company through its excess of loss arrangements with Beazley Underwriting Limited. The below section provides an overview of the underwriting risk associated with the underlying syndicate business as well as the insurance/reinsurance business underwritten directly by the Company through its European branches. This reflects how the board monitors and manages the business and the associated risks.

The Company's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geography and size. The annual business plans for each underwriting team reflect the Company's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the board of Beazley Furlonge Limited, for syndicate business, and by the board of Beazley Insurance dac for insurance/reinsurance business. These plans are monitored by the monthly Beazley Furlonge Limited underwriting committee and the Beazley Insurance dac insurance management committee and the quarterly Beazley Insurance dac reinsurance underwriting Group.

The Company's underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses. The Company also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Company sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDS). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models. The range of scenarios considered include natural catastrophes, cyber, marine, liability, political, terrorism and war events.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. With the increasing risk from climate change impacts and the frequency and severity of natural catastrophes, the Company continues to monitor its exposure. Where possible the Company measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods. The Company also has exposure to man-made claim aggregations, such as those arising from terrorism and data breach events.

The Company chooses to underwrite data breach insurance within the Cyber Risks division and indirectly through the reinsurance contract with Beazley Underwriting Limited using its team of specialist underwriters, claims managers and data breach services managers. Other than for data breach, the Company's preference is to exclude cyber exposure where possible.

To manage the potential exposure, the Company's board has established a risk budget for the aggregation of data breach related claims which is monitored by reference to the largest of ten realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform and the failure of a cloud provider. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent. The reinsurance programmes purchased by Beazley entities, whether directly by the Company or indirectly by syndicates 2623 and 3623, would partially mitigate the cost of most, but not all, data breach catastrophes.

2 Risk Review continued

b) Claims management risk

Similar to section 2.1(a) above, the following section provides an overview of the claims management processes carried out by the Company in respect of its direct insurance/reinsurance business, as well as the processes carried out at a syndicate level in respect of the business covered by the Company's reinsurance contract with Beazley Underwriting Limited.

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Beazley brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claims life-cycle.

Beazley's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business's broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

c) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions.

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the syndicates (a significant element of this business being ultimately reinsured to Beazley Insurance dac).

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The estimates of gross premiums written and claims prepared by the actuarial department are used through a formal quarterly peer review process to independently test the integrity of the estimates produced by the underwriting teams for each class of business. These meetings are attended by senior management, senior underwriters, actuarial, claims, and finance representatives.

In accordance with the terms of the reinsurance contracts, the Company records an outstanding claim reserve in respect of any open year reinsurance contract with Beazley Underwriting Limited which, at the reporting date, is in a loss making position for the Company. The Company receives detailed information on Beazley Underwriting Limited underwriting and claims activity. Further information in relation to the claims recorded under these contracts is provided in note 1 and note 13 to the financial statements.

A five percent increase or decrease in total gross claims liabilities would have the following effect on profit or loss and equity :

	5% increase in claims reserves		5% decrease in claims reserves	
	2022	2021	2022	2021
Sensitivity to insurance risk (claims reserves)	$m	$m	$m	$m
Impact on profit after tax	(15.5)	(9.8)	15.5	9.8

We note that within the reinsurance contracts with Beazley Underwriting Limited, indirect reserve risk exists for the Company. As at 31 December 2022, the level of net outstanding and incurred but not yet reported claims within the reinsured syndicates totalled $4,263m (2021: $3,860m). The Company also monitors its exposure to insurance risk by location. 98% of risks underwritten by the Company are located in Europe.

2 Risk Review continued

2.2 Strategic risk

This is the risk that the Company's strategy is inappropriate or that the Company is unable to implement its strategy. Where events supersede the Company's strategic plan this is escalated at the earliest opportunity through the Company's monitoring tools and governance structure.

2.3 Market risk

Market risk arises where the value of assets and liabilities changes as a result of movements in foreign exchange rates, interest rates and market prices.

Foreign exchange risk

The functional and reporting currency of the Company is US dollar. Therefore, the foreign exchange risk is that the Company is exposed to fluctuations in exchange rates for any non-dollar denominated transactions and net assets. The Company deals in five main currencies, US dollars, UK sterling, Canadian dollars, Swiss francs and Euro. Transactions in all non-US dollar currencies are converted to US dollars on initial recognition and revalued at the reporting date. The Company holds the majority of its net assets in US dollars, which is also the Company's functional currency. The following table summarises the carrying value of net assets categorised by currency:

Total Net assets by currency	UK £ $m	CAD $ $m	EUR € $m	CHF $m	Subtotal $m	US $ $m	Total $m
31 December 2022	79.0	(13.2)	45.1	8.6	119.5	904.1	1,023.6
31 December 2021	195.8	(14.0)	2.9	4.7	189.4	1,100.6	1,290.0

The Company's assets are predominantly matched by currency to the principal underlying currencies of its insurance liabilities. The Company monitors its currency risk position on a regular basis. While the Company does carry currency risk (as outlined in the above table), this is not material to the Company's ability to meet its claims and other obligations as they fall due. Fluctuations in the Company's trading currencies against the US dollar would result in a change to net asset value.

The table below gives an indication of the impact on net assets of a % change in relative strength of US dollar against the value of sterling, Canadian dollar, Euro, and Swiss franc simultaneously. The analysis is based on the current information available.

	Impact on profit after tax for the year ended		Impact on net assets	
Change in exchange rate of UK Sterling, Canadian dollar, Swiss francs and Euro relative to US dollar	2022 $m	2021 $m	2022 $m	2021 $m
Dollar weakens 30% against other currencies	33.1	49.7	57.9	41.2
Dollar weakens 20% against other currencies	22.1	33.2	38.6	27.5
Dollar weakens 10% against other currencies	11.0	16.6	19.3	13.7
Dollar strengthens 10% against other currencies	(11.0)	(16.6)	(19.3)	(13.7)
Dollar strengthens 20% against other currencies	(22.1)	(33.2)	(38.6)	(27.5)
Dollar strengthens 30% against other currencies	(33.1)	(49.7)	(57.9)	(41.2)

Notes to the financial statements continued

for the year ended 31 December 2022

2 Risk Review continued

Interest rate risk

Some of the Company's financial instruments, including financial investments, are exposed to movements in market interest rates. The Company manages interest rate risk by primarily investing in short duration financial investments. The board of Beazley Insurance dac monitors the duration of these assets on a regular basis.

The following table shows the average duration at the reporting date of the financial instruments. Duration is a commonly used measure of volatility and we believe gives a better indication than maturity of the likely sensitivity of our portfolio to changes in interest rates.

Duration 31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	346.2	471.1	229.6	138.3	194.0	–	–	1,379.2
Cash and cash equivalents	55.2	–	–	–	–	–	–	55.2
Derivative financial instruments	28.8	–	–	–	–	–	–	28.8
Borrowings	–	–	–	–	(249.3)	(298.6)	–	(547.9)
Total	**430.2**	**471.1**	**229.6**	**138.3**	**(55.3)**	**(298.6)**	**–**	**915.3**

Duration 31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	347.3	712.3	198.8	115.9	94.2	37.2	–	1,505.7
Cash and cash equivalents	80.7	–	–	–	–	–	–	80.7
Derivative financial instruments	1.3	–	–	–	–	–	–	1.3
Borrowings	–	–	–	–	(249.2)	(298.4)	–	(547.6)
Total	**429.3**	**712.3**	**198.8**	**115.9**	**(155.0)**	**(261.2)**	**–**	**1,040.1**

In November 2016, the Company issued $250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875%, is payable on this debt. In September 2019, the Company issued $300m of additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5%, is payable each year on this debt.

Sensitivity analysis

The Company holds financial assets and liabilities that are exposed to interest rate risk. Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and a change in value of borrowings and derivative financial instruments. This will affect reported profits and net assets as indicated in the below table:

	Impact on profit after tax for the year ended		Impact on net assets	
Shift in yield (basis points)	2022 $m	2021 $m	2022 $m	2021 $m
150 basis point increase	(41.4)	(31.0)	(41.4)	(31.0)
100 basis point increase	(27.6)	(20.7)	(27.6)	(20.7)
50 basis point increase	(13.8)	(10.3)	(13.8)	(10.3)
50 basis point decrease	13.8	10.3	13.8	10.3
100 basis point decrease	27.6	20.7	27.6	20.7

2 Risk Review continued

Price risk

Debt securities and equities that are recognised on the balance sheet at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk. Investments are made in debt securities and equities depending on the Company's appetite for risk. These investments are well diversified with high quality, liquid securities. The board has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or Company. Listed investments are recognised on the balance sheet at quoted bid price. If the market for the investment is not considered to be active, then the Company establishes fair value using valuation techniques. This includes using recent arm's length market transactions, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

	Impact on profit after tax for the year ended		Impact on net assets	
Change in fair value of capital growth portfolio	2022 $m	2021 $m	2022 $m	2021 $m
30% increase in fair value	47.4	49.1	47.4	49.1
20% increase in fair value	31.6	32.7	31.6	32.7
10% increase in fair value	15.8	16.4	15.8	16.4
10% decrease in fair value	(15.8)	(16.4)	(15.8)	(16.4)
20% decrease in fair value	(31.6)	(32.7)	(31.6)	(32.7)
30% decrease in fair value	(47.4)	(49.1)	(47.4)	(49.1)

2.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. The Company actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. The Company also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of the Company's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

2.5 Regulatory and legal risk

Regulatory and legal risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Company are subject to legal and regulatory requirements within the jurisdictions in which it operates and the Company's compliance function is responsible for ensuring that these requirements are adhered to.

2 Risk Review continued

2.6 Group risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of the Group, as well as the risks arising from these activities. The two main components of Group risk are contagion and reputation.

Contagion risk is the risk arising from actions of one part of the Group which could adversely affect any other part of the Group. The Company has limited appetite for contagion risk and minimises the impact of this occurring by operating with clear lines of communication across the Group to ensure all Group entities are well informed and working to common goals.

Reputation risk is the risk of negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities. The Group's preference is to minimise reputation risks but where it is not possible or beneficial to avoid them, we seek to minimise their frequency and severity by management through public relations and communication channels.

2.7 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the Company maintains sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

The following is an analysis by business segment of the estimated timing of the net cash flows based on the net claims liabilities balance held at 31 December 2022 and 31 December 2021:

31 December 2022	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Direct insurance/reinsurance	59.1	83.2	38.3	31.3	211.9	2.1
Intra-group reinsurance	–	44.3	–	–	44.3	2.0
Net insurance claims	**59.1**	**127.5**	**38.3**	**31.3**	**256.2**	

31 December 2021	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Direct insurance/reinsurance	32.8	49.3	25.6	25.5	133.2	2.3
Intra-group reinsurance	–	35.8	–	–	35.8	1.5
Net insurance claims	**32.8**	**85.1**	**25.6**	**25.5**	**169.0**	

2 Risk Review continued

Maturity

The next two tables summarise the carrying amount at reporting date of financial instruments analysed by maturity date.

31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	297.5	381.5	291.5	112.8	281.3	14.6	–	1,379.2
Derivative financial instruments	28.8	–	–	–	–	–	–	28.8
Cash and cash equivalents	55.2	–	–	–	–	–	–	55.2
Borrowings	–	–	–	–	(249.3)	(298.6)	–	(547.9)
Total	**381.5**	**381.5**	**291.5**	**112.8**	**32.0**	**(284.0)**	**–**	**915.3**

31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	337.2	578.0	197.4	185.5	85.0	122.6	–	1,505.7
Derivative financial instruments	1.3	–	–	–	–	–	–	1.3
Cash and cash equivalents	80.7	–	–	–	–	–	–	80.7
Borrowings	–	–	–	–	(249.2)	(298.4)	–	(547.6)
Total	**419.2**	**578.0**	**197.4**	**185.5**	**(164.2)**	**(175.8)**	**–**	**1,040.1**

2.8 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are:

- Investments – whereby issuer default results in the Company losing all or part of the value of a financial instrument;
- Amounts receivable under reinsurance contracts – whereby counterparties fail to pass on premiums due under the reinsurance contracts. The main credit risk exposure facing the Company arises by virtue of the reinsurance contract in place with its sister Company, Beazley Underwriting Limited and the underlying risk facing that Company;
- Brokers and insureds – counterparties fail to pass on premiums or claims collected or paid on behalf of the Company.

The Company's core business is to accept significant insurance risk and the appetite for other risks is low. This protects the Company's capital from erosion so that it can meet its insurance liabilities. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

	A.M Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D,E,F,S	Ca to C	R,(U,S) 3

Notes to the financial statements continued
for the year ended 31 December 2022

2 Risk Review continued
2.8 Credit risk continued
The following tables summarise the Company’s concentrations of credit risk:

31 December 2022	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
– Fixed and floating rate debt securities	1,208.1	171.1	–	–	–	1,379.2
– Equity linked funds	–	–	–	–	125.3	125.3
– Hedge funds	–	–	–	–	55.2	55.2
– Derivative financial assets	–	–	–	–	28.8	28.8
Cash and cash equivalents	55.2	–	–	–	–	55.2
Accrued interest	8.9	–	–	–	–	8.9
Claims outstanding, reinsurer’s share	–	–	–	–	98.3	98.3
Debtors arising from reinsurance operations	–	–	–	–	182.4	182.4
Debtors arising from direct insurance operations	–	–	–	–	79.1	79.1
Amounts due from group companies	–	–	–	–	25.4	25.4
Total	**1,272.2**	**171.1**	**–**	**–**	**594.5**	**2,037.8**

31 December 2021	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
– Fixed and floating rate debt securities	1,319.6	186.1	–	–	–	1,505.7
– Equity linked funds	–	–	–	–	135.6	135.6
– Hedge funds	–	–	–	–	51.3	51.3
– Derivative financial assets	–	–	–	–	1.3	1.3
Cash and cash equivalents	80.5	0.2	–	–	–	80.7
Accrued interest	5.5	–	–	–	–	5.5
Claims outstanding, reinsurer’s share	–	–	–	–	54.4	54.4
Debtors arising from reinsurance operations	–	–	–	–	111.1	111.1
Debtors arising from direct insurance operations	–	–	–	–	68.6	68.6
Total	**1,405.6**	**186.3**	**–**	**–**	**422.3**	**2,014.2**

The carrying amount of financial assets at the reporting date represents the maximum credit exposure. At 31 December 2022, the Company held no financial assets that were past due or impaired, either for the current year under review or on a cumulative basis based on all available evidence. Financial investments falling within the unrated category comprise hedge funds and equity funds for which there is no readily available market data to allow classification within the respective tiers.

2.9 Enterprise risk
ESG is the umbrella term for environmental, social and governance factors that are used to measure the sustainability and ethical impact of a business. The risk is that the Company falls short of the expected standard of ESG. This could result in actual, or a potential, material negative impact and/or reputation of the Company or the Beazley Group. Reputational risk has the potential to have a significant impact on an organisation. The Company and the Beazley Group expect its staff to always act honourably by doing the right thing.

We mitigate this risk by ensuring we comply with the Group's clearly defined and documented ESG strategy that includes targets and milestones which are communicated to all staff. This risk is overseen by the board of the Company.

2 Risk Review continued

2.10 Management of climate risk

The changing global climate is recognised as an important emerging risk due to its widespread potential impact on the global population, environment and economy. A key aspect of the Group's business model is to support our clients who have been affected by natural catastrophes, helping them return to pre-catastrophe conditions as soon as possible. The Company, as a core part of the Group, follows the Group's responsible business strategy and the Company's board receives regular reporting in this area. As a specialist insurer, various classes of business we underwrite are subject to the effect climate change presents to the risk environment.

As part of the underwriting process, we work with our insureds to understand the risks facing their organisations, including applicable climate-related risks and to tailor insurance coverages to mitigate the associated financial risks.

We acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to the Company and the Group as described below:

Pricing risk: This is the risk that current pricing levels do not adequately consider the prospective impact of climate change, resulting in systemic underpricing of climate-exposed risks. The Group's business planning process establishes how much exposure in certain classes of business or geographic area we wish to accept. We benefit from a feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk-by-risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk.

Catastrophe risk: This is the risk that current models do not adequately capture the impact of climate change on the frequency, severity or nature of natural catastrophes or other extreme weather events (e.g. wildfires) that could drive higher-than-expected insured losses. The Group utilises commercial catastrophe models to facilitate the estimation of aggregate exposures based on the Group's underwriting portfolio. These catastrophe models are updated to reflect the latest scientific perspectives. Catastrophe models are evolving to include new or secondary perils which may be related to climate change. In addition, the Group runs a series of natural catastrophe Realistic Disaster Scenarios (RDS) on a monthly basis which monitor the Group's exposure to certain scenarios that could occur. These RDS include hurricanes in the US, typhoons in Japan, European windstorms and floods in the UK.

Reserve risk: This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes unanticipated liability risk losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our Group actuarial team, claims teams and other members of management the Group establishes financial provisions for our ultimate claims liabilities. The Group maintains a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process.

Asset risk: This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The Group considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist company in the field of environmental, social and governance research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for environmental, social and governance performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes consideration of the sustainability of each Company with regard to the potential decline in demand in specific sectors.

External event risk: This is the risk that the physical impact of climate-related events has a material impact on our own people, processes and systems, leading to increased operating costs or the inability to deliver uninterrupted client service. The Group has business continuity plans in place to minimise the risk of an interrupted client service in the event of a disaster.

Commercial management risk: The Group aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is limited. However, we do choose office space with climate change mitigation in mind, and engage with our employees, vendors and customers in an effort to reduce overall waste and our environmental footprint.

2 Risk Review continued

Management of climate risk continued

Credit risk: As a result of material natural catastrophe events, there is a risk that our reinsurance counterparties are unable to pay reinsurance balances due to the Company or the Group. If the frequency or severity of these events is increased due to climate change this could cause a corresponding increase in credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking, which considers financial strength ratings, capital metrics, performance metrics and other considerations.

Regulatory and legal risk: Regulators, investors and other stakeholders are becoming increasingly interested in companies' responses to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The Company and the Group regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.

Liquidity and capital risk: Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims and remain solvent. The Company and the Group establishes capital at a 1:200 level based on the prevailing business plan.

The Group runs Realistic Disaster Scenarios (RDS), with natural catastrophe and cyber being run on a monthly basis, in order to determine the impact of different risks. This modelling process is overseen by the Exposure Management Team, who have developed a Complex and Emerging Underwriting Risks Protocol. This sets out the activity in place to review the potential/complex/or emerging risks relating to underwriting and there are circa 60 deterministic realistic disaster scenarios (D-RDS) used to monitor the most significant. A recent focus has been on testing and stressing assumptions. Following this a series of activities has been initiated to embed good practices, ensuring that the risk landscape is frequently reviewed using claims trends, early flag, and external expert input.

These include:
- challenging and stretching of risk assumptions that are documented and articulated to the relevant oversight committee;
- regular review of all D-RDS;
- external expert intelligence and challenge;
- consideration of Reserving Peer review trend analysis and observations; and
- test potential application of different policy wordings.

These scenarios are either modelled, using data drawn from third party modelling partners, or non-modelled, where experts across the Group collaborate to determine the impact. An example of our approach to non-modelled risks is our approach to wildfires, an increasing event due to the impacts of climate change. The modelling takes into account the impact of sector, geography and business segment, in order to determine the Group's exposure. In turn this helps to drive decision making across the business. The Group is currently enhancing the number of scenarios its runs to ensure we further understand the financial impact of climate related risk on the business.

On a bi-annual basis, the risk team reviews the Group's risk assessment. These assessments are a collaborative effort with all the business functions, and are an opportunity to identify emerging risk, review existing risks, and provide appropriate mitigation measures to reduce/manage the risk. This assessment is inward looking and primarily concentrates on operational processes, whilst helping to encourage open dialogue with risk owners. This assessment is where the Group's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

3 Segmental analysis

a) Reporting segments

Segment information is presented in respect of reportable segments. These are based on the Company's management and internal reporting structures and represent the level at which financial information is reported to management and relevant management committees, being the chief operating decision-maker as defined in IFRS 8.

In March 2022, the Beazley Group updated its underwriting team structure with the creation of four underwriting divisions: Cyber Risks, Marine, Accident and Political (MAP) Risks, Property Risks and Specialty Risks. From January 2022, the Beazley Group began separately reporting the performance of the Digital division, following the creation of that team in 2021.

3 Segmental analysis continued

a) Reporting segments continued

The Company aligns its underwriting divisions with that of the wider Beazley Group. Accordingly the Company has determined that it's reporting segments are now as follows:

Cyber Risks

This segment underwrites cyber and technology risks.

Digital Risks

This segment underwrites a variety of marine, contingency and SME liability risks through digital channels such as e-trading platforms and broker portals.

MAP Risks

This segment underwrites marine, political and contingency business.

Property Risks

This segment underwrites first party property risks and reinsurance business.

Specialty Risks

This segment underwrites a wide range of liability classes, including employment practices risks and directors and officers, as well as healthcare, lawyers and international financial institutions.

Intra-group Reinsurance

This segment includes the intra-group reinsurance contract with Beazley Underwriting Limited.

b) Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis are split based on each segment's capital requirements which is taken from the Group's most up to date business plan. The reporting segments do not cross-sell business to each other. Finance costs and taxation have not been allocated to operating segments as these items are determined at a consolidated level and do not relate to operating performance. As a result of the changes in reporting segments, prior period comparative information has been re-presented in accordance with the requirements of IFRS 8.

Year to 31 December 2022	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Intra-group Reinsurance $m	Total $m
Segment results							
Gross premiums written	106.8	9.5	11.0	11.2	132.1	182.4	**453.0**
Net earned premiums	72.1	6.1	8.2	8.5	73.4	182.4	**350.7**
Net investment losses	(2.8)	(0.2)	(0.2)	(0.3)	(4.0)	(28.8)	**(36.3)**
Revenue	**69.3**	**5.9**	**8.0**	**8.2**	**69.4**	**153.6**	**314.4**
Net insurance claims	(45.4)	(3.2)	(4.8)	(10.1)	(41.9)	(8.5)	**(113.9)**
Net operating expenses	(13.5)	(1.8)	(2.2)	(2.2)	(18.6)	(32.7)	**(71.0)**
Expenses	**(58.9)**	**(5.0)**	**(7.0)**	**(12.3)**	**(60.5)**	**(41.2)**	**(184.9)**
Segment result	**10.4**	**0.9**	**1.0**	**(4.1)**	**8.9**	**112.4**	**129.5**
Foreign exchange loss							**(45.5)**
Finance costs							**(31.6)**
Profit on ordinary activities before tax							**52.4**
Segment assets	170.6	16.5	24.7	41.4	311.4	1,564.7	**2,129.3**
Segment liabilities	(136.2)	(10.1)	(12.4)	(32.4)	(289.7)	(624.9)	**(1,105.7)**
Net assets	**34.4**	**6.4**	**12.3**	**9.0**	**21.7**	**939.8**	**1,023.6**

Notes to the financial statements continued
for the year ended 31 December 2022

3 Segmental analysis continued
b) Segment information continued

31 December 2022	Cyber Risks %	Digital %	MAP Risks %	Property Risks %	Specialty Risks %	Total %
Claims ratio	63 %	52 %	59 %	119 %	57 %	63 %
Expense ratio	19 %	30 %	26 %	26 %	25 %	22 %
Combined ratio	82 %	82 %	85 %	145 %	82 %	85 %

The above ratios represent the direct insurance/reinsurance business written through the Company's European branch network

Year to 31 December 2021 (re-presented)	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Intra-group Reinsurance $m	Total $m
Segment results							
Gross premiums written	58.8	5.2	6.1	11.6	124.9	111.1	**317.7**
Net earned premiums	40.0	3.4	3.2	7.0	65.9	111.1	**230.6**
Net investment income	0.3	0.1	0.3	0.6	1.1	54.9	**57.3**
Revenue	**40.3**	**3.5**	**3.5**	**7.6**	**67.0**	**166.0**	**287.9**
Net insurance claims	(25.2)	(2.0)	(2.1)	(22.1)	(44.5)	116.9	**21.0**
Net operating expenses	(10.9)	(1.2)	(1.0)	(1.6)	(19.6)	(19.7)	**(54.0)**
Expenses	**(36.1)**	**(3.2)**	**(3.1)**	**(23.7)**	**(64.1)**	**97.2**	**(33.0)**
Segment result	**4.2**	**0.3**	**0.4**	**(16.1)**	**2.9**	**263.2**	**254.9**
Foreign exchange loss							**(4.0)**
Finance costs							**(31.6)**
Profit on ordinary activities before tax							**219.3**
Segment assets	91.7	6.2	10.9	37.8	215.8	1,882.3	**2,244.7**
Segment liabilities	(67.6)	(4.7)	(6.5)	(37.4)	(202.5)	(636.0)	**(954.7)**
Net assets	**24.1**	**1.5**	**4.4**	**0.4**	**13.3**	**1,246.3**	**1,290.0**

	Cyber Risks %	Digital %	MAP Risks %	Property Risks %	Specialty Risks %	Total %
Claims ratio	63 %	59 %	66 %	316 %	68 %	80 %
Expense ratio	27 %	35 %	31 %	23 %	29 %	29 %
Combined ratio	90 %	94 %	97 %	339 %	97 %	109 %

The above ratios represent the direct insurance/reinsurance business written through the Company's European branch network

An analysis of gross premiums written by reference to the location of the risk insured by the Company is provided below. In 2022, over 45% (2021: 48%) of our premium was sourced from the UK, with 53% (2021: 50%) in continental Europe and 2% (2021: 2%) outside of Europe.

	2022 $m	2021 $m
Risks located in UK	202.5	151.7
Risks located in continental Europe	242.1	160.1
Risks located elsewhere worldwide	8.4	5.9
	453.0	**317.7**

3 Segmental analysis continued

c) Particulars of business

	2022 Direct $m	2022 Assumed $m	2022 Total $m	2021 Direct $m	2021 Assumed $m	2021 Total $m
Gross Premiums Written	258.4	194.6	453.0	191.7	126.0	317.7
Gross premium earned	223.2	194.9	418.1	145.5	125.2	270.7
Gross claims incurred	(148.9)	(16.6)	(165.5)	(99.6)	77.3	(22.3)
Gross operating expenses and investment return	(76.3)	(31.0)	(107.3)	2.0	1.3	3.3
Gross result	(2.0)	147.3	145.3	47.9	203.8	251.7
Reinsurance balance	(15.1)	(0.7)	(15.8)	3.0	0.2	3.2
Net result	**(17.1)**	**146.6**	**129.5**	**50.9**	**204.0**	**254.9**

96% of direct premiums written are general liability risk class.

4 Investment return

	2022 $m	2021 $m
Interest and dividends on financial investments at fair value through profit or loss	29.1	21.8
Net realised (losses)/gains on financial investments at fair value through profit or loss	(29.6)	23.6
Net unrealised fair value (losses) on financial investments at fair value through profit or loss	(66.3)	(16.6)
Income from intercompany financing arrangements	31.7	30.1
Investment (losses) / income	**(35.1)**	**58.9**
Investment expenses and charges	(1.2)	(1.6)
	(36.3)	**57.3**

Investment income derived from financial assets and income from intercompany financing arrangements are trading income and are included in the Company's technical account as the assets are held to support the Company's reinsurance and insurance activities.

5 Net Operating Expenses

	2022 $m	2021 $m
Administration costs including commissions payable to Beazley Underwriting Limited	71.0	54.0
	71.0	**54.0**

Net operating expenses include:

Auditor's remuneration:	2022 $m	2021 $m
Fees payable for the audit of these annual accounts	0.2	0.1
Fees payable in respect of other assurance services	0.1	0.1
	0.3	**0.2**

Fees payable in respect of other assurance services primarily relate to the audit of regulatory returns.

6 Staff costs

The aggregate payroll costs of these persons were as follows:

	2022 $m	2021 $m
Wages and salaries	1.9	1.2
Social security costs	0.2	–
Charged to profit or loss account	**2.1**	**1.2**

	2022 $m	2021 $m
Directors' emoluments	0.6	0.6
Pension contributions: defined contributions schemes	—	–
	0.6	**0.6**

Of the amount disclosed in the table above, $0.5m (2021: $0.4m) was paid by the Company to directors employed directly by the Company. The remaining amount represents an estimated allocation of the emoluments paid or payable by Beazley plc to certain directors as part of their Group wide executive management role. The estimated allocation is based on an estimate of the qualifying services, including management of the affairs of the Company, they provided to the Company during the year.

The average number of persons employed by the Company (including executive directors) during the year, analysed by category, was as follows:

Number of employees	2022	2021
Management	2	2
Finance and administration	6	2
Compliance and risk	2	1
Actuarial	1	1
	11	**6**

7 Taxation

	2022 $m	2021 $m
Current tax:		
Irish corporation tax charge	8.8	27.7
Adjustment in respect of prior year	–	(0.2)
Deferred tax:		
Origination and reversal of timing differences	(0.4)	(3.2)
Adjustment in respect of prior year	1.6	–
Tax on profit on ordinary activities	**10.0**	**24.3**

7 Taxation continued

Factors affecting the tax charge for the current period

The tax charge (2021: tax charge) for the year is higher (2021: lower) than the standard rate of corporation tax in Ireland, 12.5% due to the differences explained below.

	2022 $m	2021 $m
Profit on ordinary activities before tax	52.4	219.3
Corporation tax at 12.5%	6.6	27.4
Effect of:		
Tax rates in foreign jurisdictions	1.8	(2.9)
Prior year under/(over) provision	1.6	(0.2)
Tax on profit on ordinary activities	**10.0**	**24.3**

Deferred tax assets of $2.7m (2021: $4.1m), relating to tax losses, which depend on the availability of future taxable profits, have been recognised in respect of the German branch of the Company. The Company has concluded that it is probable that the deferred tax assets will be recovered using the estimated future taxable profits based on the approved business plans.

8 Financial instruments

Fair value measurement

The table below summarises financial assets carried at fair value using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds and treasury bills of government and government agencies which are measured based on quoted prices in active markets.

Level 2 – Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates, exchange rates). Included within level 2 are government bonds and treasury bills which are not actively traded, corporate bonds, asset backed securities and mortgage-backed securities.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

The availability of financial data can vary for different financial assets and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction.

The Company holds derivative financial instruments, both assets and liabilities. The Company entered into over-the-counter foreign exchange forward agreements in order to economically hedge the foreign currency exposure resulting from transactions and balances held in currencies that are different to the functional currency of the Company. The Company had the right and intention to settle each contract on a net basis.

8 Financial instruments continued

Fair value measurement continued

The table below analyses financial instruments measured at fair value at the 31 December 2022, by the level in the fair value hierarchy into which the fair value measurements is categorised:

31 December 2022 Financial assets at fair value:	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Fixed and floating rate debt securities				
1) Government issued	794.4	–	–	794.4
2) Corporate bonds – Investment grade	224.9	359.9	–	584.8
Equity linked funds	125.3	–	–	125.3
Hedge funds	–	55.2	–	55.2
Derivative financial assets	28.8	–	–	28.8
Total financial assets at fair value	**1,173.4**	**415.1**	**–**	**1,588.5**
Financial liabilities measured at fair value				
Derivative financial liabilities	1.9	–	–	1.9
Total financial liabilities measured at fair value	**1.9**	**–**	**–**	**1.9**
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2026) – issued in 2016	–	249.3	–	249.3
Tier 2 subordinated debt (2029) – issued in 2019	–	298.6	–	298.6
Total financial liabilities not measured at fair value	**–**	**547.9**	**–**	**547.9**

The table below analyses financial instruments measured at fair value at the 31 December 2021, by the level in the fair value hierarchy into which the fair value measurements is categorised:

31 December 2021 Financial assets at fair value:	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Fixed and floating rate debt securities				
1) Government issued	986.1	–	–	986.1
2) Supernational	202.9	296.7	–	499.6
3) Corporate bonds – Investment grade	20.0	–	–	20.0
Equity linked funds	135.6	–	–	135.6
Hedge funds	–	51.3	–	51.3
Derivative financial assets	1.3	–	–	1.3
Total financial assets at fair value	**1,345.9**	**348.0**	**–**	**1,693.9**
Financial liabilities measured at fair value				
Derivative financial liabilities	5.4	–	–	5.4
Total financial liabilities measured at fair value	**5.4**	**–**	**–**	**5.4**
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2026) – issued in 2016	–	249.2	–	249.2
Tier 2 subordinated debt (2029) – issued in 2019	–	298.4	–	298.4
Total financial liabilities not measured at fair value	**–**	**547.6**	**–**	**547.6**

9 Cash and cash equivalents

	2022 $m	2021 $m
Cash at bank and in hand	55.2	80.7
	55.2	**80.7**

10 Deferred acquisition costs

	2022 $m	2021 $m
Balance at 1 January	20.0	14.0
Additions	31.9	23.6
Amortisation	(24.2)	(16.4)
Exchange adjustments	(1.6)	(1.2)
Balance at 31 December	**26.1**	**20.0**

11 Share capital and other reserves

	2022 $m	2021 $m
Authorised: 100,000,000 ordinary shares of (€1) each	128.4	128.4
Allotted, issued and fully paid	–	–

There is one share with a nominal value of €1 in issue. A capital contribution of $536.3m was received from Beazley plc on 29 June 2009. The Company also holds a foreign exchange translation reserve of ($48.6m) (2021: ($44.8m)). This primarily arose on the change of functional currency to US Dollar in 2010. Movements in the reserve occur due to exchange differences from translating foreign operations to US dollar. This resulted in a movement of ($3.8m) in 2022 (2021: ($1.7m)).

The profit or loss account was comprised of profits carried forward from previous years of $798.5m (2021: $643.5m) and a profit for the financial year of $42.4m (2021: $195.0m).

The Company paid the following dividends in 2022 to its sole shareholder, Beazley Ireland Holdings Limited (2021: $40.0m) :
- March 2022 – an interim dividend of $105m.
- November 2022 – an interim dividend of $200m.

12 Technical provisions

12.1 Technical provisions reconciliation

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
At 1 January 2022	93.0	223.4
Exchange adjustments	(5.8)	(12.3)
Movement in provisions	34.9	143.4
At 31 December 2022	**122.1**	**354.5**

	Provision for unearned premium $m	Claims outstanding $m
Reinsurer's share of technical provisions		
At 1 January 2022	(26.0)	(54.4)
Exchange adjustments	1.4	3.6
Movement in provision	(18.6)	(47.5)
At 31 December 2022	**(43.2)**	**(98.3)**
Net technical provisions		
At 31 December 2022	**78.9**	**256.2**
At 1 January 2022	**67.0**	**169.0**

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
At 1 January 2021	51.3	220.4
Exchange adjustments	(5.3)	(10.7)
Movement in provision	47.0	13.7
At 31 December 2021	**93.0**	**223.4**

	Provision for unearned premium $m	Claims outstanding $m
Reinsurer's share of technical provisions		
At 1 January 2021	(10.8)	(14.9)
Exchange adjustments	1.1	2.3
Movement in provision	(16.3)	(41.8)
At 31 December 2021	**(26.0)**	**(54.4)**
Net technical provisions		
At 31 December 2021	**67.0**	**169.0**
At 1 January 2021	**40.5**	**205.5**

12 Technical provisions continued

12.2 Technical provisions breakdown

As noted in note 1 above, outstanding claims include claims reserves in respect of the Company's insurance activities, as well as claims reserves held in respect of the Company's reinsurance contracts with Beazley Underwriting Limited. The current year gross claims reserves are split as follows:

	Gross $m	Net $m
2022 underwriting year reinsurance contract	44.3	44.3
2021 underwriting year reinsurance contract	–	–
2020 underwriting year reinsurance contract	–	–
Direct insurance	432.3	290.8
At 31 December 2022	**476.6**	**335.1**

	Gross $m	Net $m
2021 underwriting year reinsurance contract	5.8	5.8
2020 underwriting year reinsurance contract	29.9	29.9
2019 underwriting year reinsurance contract	–	–
Direct insurance	280.7	200.3
At 31 December 2021	**316.4**	**236.0**

12.3 Loss development tables

The tables presented reflect the gross and net claims development of direct insurance/reinsurance business written through the Company's European branch network (on a percentage of gross premium basis) and the absolute claims development of open year Intra-group reinsurance contracts in place with Beazley Underwriting Limited. The final table reconciles the claims development of all insurance and reinsurance activities to the balance sheet of the Company. Each table is split by underwriting year.

Gross claims development direct insurance/reinsurance	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %
12 months	44.2	72.1	64.8	71.3	81.4	63.0
24 months	59.9	72.2	62.9	80.3	85.2	
36 months	59.9	74.5	61.1	67.9		
48 months	58.7	72.1	43.3			
60 months	58.9	110.8				
72 months	58.9					

	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Total $m
Gross claims liabilities, Direct insurance/ reinsurance	0.3	6.0	16.3	55.3	134.4	97.9	310.2

Net claims development direct insurance/reinsurance	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %
12 months	55.8	69.2	61.7	67.3	74.8	58.2
24 months	55.8	69.5	56.7	73.6	79.5	
36 months	69.7	76.4	56.7	58.2		
48 months	54.8	99.0	43.9			
60 months	67.9	104.5				
72 months	54.8					

	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Total $m
Net claims liabilities, Direct insurance/ reinsurance	0.3	4.1	11.5	38.0	96.1	61.9	211.9

Notes to the financial statements continued
for the year ended 31 December 2022

12 Technical provisions continued
12.3 Loss development tables continued

Gross/Net claims development Intra-group reinsurance	2020 $m	2021 $m	2022 $m
12 months	130.2	5.8	44.3
24 months	29.9	–	
36 months	–		

	2020 $m	2021 $m	2022 $m	Total $m
Gross and net claims liabilities, Intra-group reinsurance	–	–	44.3	**44.3**

	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Total $m
Gross claims liabilities, Total	0.3	6.0	16.3	55.3	134.4	142.2	**354.5**

	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Total $m
Net claims liabilities, Total	0.3	4.1	11.5	38.0	96.1	106.2	**256.2**

13 Debtors arising from reinsurance activities
The following table displays the amounts due from Beazley Underwriting Limited under the excess of loss reinsurance agreements. Debtors arising from reinsurance activities are recognised when a reinsurance contract is in a profitable position at the reporting date.

	2022 $m	2021 $m
Balance at 1 January	111.1	24.2
Additions	71.3	86.9
Balance at 31 December	**182.4**	**111.1**

The following table provides an additional split of reinsurance debtors, into each open year of account contract in place at the reporting date:

	2020 $m	2021 $m	2022 $m
Balance at 1 January	–	–	–
Additions	0.2	182.2	–
Balance at 31 December	**0.2**	**182.2**	**–**

14 Funds at Lloyd's
The Funds at Lloyd’s (‘FAL’) to support the underwriting of Beazley Underwriting Limited on syndicates 2623 and 3623 have been provided by the Company by way of deposits of $959.7m (2021: $1,348.9m). The Funds at Lloyd’s, included in financial assets on the Company’s balance sheet, may consist of certain approved assets only and are subject to a deed of charge in favour of Lloyd’s. In return for providing the Funds at Lloyd’s, Beazley Underwriting Limited pays the Company an annual fee.

In addition, the Company acts as a guarantor in respect of the Group’s banking facility of $450.0m (2021: $450.0m). As at 31 December 2022, $225.0m (2021: $225.0m) of the facility has been drawn down by the Group and placed as a letter of credit at Lloyd’s to support the FAL of Beazley Underwriting Limited.

15 Financial liabilities

	2022 $m	2021 $m
Carrying value		
Tier 2 subordinated debt – issued in 2016	249.3	249.2
Tier 2 subordinated debt – issued in 2019	298.6	298.4
Derivative financial instruments	1.9	5.4
Total financial liabilities	**549.8**	**553.0**

	2022 $m	2021 $m
Fair value		
Tier 2 subordinated debt – issued in 2016	240.3	334.6
Tier 2 subordinated debt – issued in 2019	265.9	279.0
Derivative financial instruments	1.9	5.4
Total financial liabilities	**508.1**	**619.0**

The fair value of the tier 2 subordinated debt is based on quoted market price.

In November 2016, the Company issued $250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875% is payable each year. In September 2019, the Company issued $300m additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5% is payable each year. All subordinated debt is listed on the London Stock Exchange. Interest paid on this debt during 2022 was $31.6m (2021: $31.6m).

16 Other Debtors

	2022 $m	2021 $m
Amounts due from group companies	25.4	180.4
Current tax receivable	6.8	–
Other	12.7	–
Total other debtors	**44.9**	**180.4**

17 Ultimate parent undertaking

The ultimate parent undertaking is Beazley plc, incorporated and resident in the United Kingdom. The largest and the smallest group in which the results of the Company are consolidated is that headed by Beazley plc. The accounts of Beazley plc are available to the public at www.beazley.com and at 22 Bishopsgate, London EC2N 4BQ, United Kingdom.

18 Post balance sheet events

There are no events that are material to the operations of the Company that have occurred since the reporting date.

19 Company information

Beazley Insurance designated activity company is a designated activity company incorporated in Ireland with registered number 464758. The company was granted a Certificate of Authorisation from the Central Bank of Ireland on 7 July 2017 to underwrite non-life insurance business. The registered office is 2 Northwood Avenue, Santry, Dublin, D09 X5N9.

Directors and advisors

Directors
A P Cox (British)
E J McGivney
J Dunne (appointed 1 February 2022)
S M Lake (British)
P O Desaulle (French) (Chair)
K Murphy
M Moore
P Ruane

Secretary
R Yeoman

Registered office
2 Northwood Avenue
Santry
Dublin
D09 X5N9

Registered number
464758

Auditor
Ernst & Young

Harcourt Centre
Dublin 2
Ireland

Banker
Bank of Ireland

2 College Green
Dublin 2
D02 VR66

Solicitors
William Fry

2 Grand Canal Square
Dublin
D02 A342

Beazley Insurance dac

2 Northwood Avenue
Santry
Dublin
D09 X5N9
Ireland

T +353 (0)1 854 4700

info@beazley.ie
www.beazley.com